

Nearly five million on jobless benefits in US

Jerry White
20 February 2009

The Labor Department reported Thursday that the number of US workers receiving unemployment benefits hit 4.99 million in the week ending February 7, the highest number in 27 years. First time claims for state unemployment benefits were a higher-than-expected 627,000 for the week ending February 14, as corporations continued to cut back on production and slash their staffs by thousands of workers.

At least 3.6 million jobs have been wiped out since the recession began in December 2007. Officially, the jobless rate reached a 16-year high of 7.6 percent last month—or 11.6 million people. If all of those who have been forced to take part-time employment or have given up looking for work are included, the figure is closer to 10 percent according to the government.

The spike in jobless claims came as production at factories, mines and utilities fell 1.8 percent last month for the third monthly decline in a row. Worst hit were auto plants and their suppliers where production dropped a staggering 23 percent.

A wave of plant closings and mass layoffs were announced in the auto industry this week. General Motors told the Treasury Department that it would eliminate 47,000 out of its global workforce of 244,000. This number would include 21,000 hourly and salaried workers in the US. The 100-year-old company, which requested an increase in emergency loans to prevent bankruptcy, said it would close 14 plants in North America and Europe by 2012.

Chrysler LLC, which also requested additional financial aid, said it would cut 3,000 jobs on top of the 32,000 the company has slashed since the end of 2006. Ford Motor Company's finance unit will eliminate 20 percent of its workforce, or about 1,200 workers. US auto sales have fallen to their lowest level in nearly three decades.

Goodyear Tire & Rubber Co., the largest US tire maker, posted a fourth-quarter net loss of \$330 million Wednesday and announced plans to cut almost 5,000 jobs. The cuts equal almost 7 percent of the workforce of the Akron, Ohio-based company, which eliminated 4,000 jobs and imposed a salary freeze in the second half of last year.

Auto parts giant Delphi announced it was eliminating 775 jobs--425 hourly and 350 salaried--at its steering division plant in Saginaw, Michigan. This is the latest blow to the once important automotive center, 100 miles north of Detroit. Fewer than 10,000 workers are still engaged in manufacturing in Saginaw County, the lowest number in nine decades.

Last week Toyota announced it was offering buyouts to all 25,000 of its North American workers and cutting the work week by 10 percent at some US factories. The world's largest automaker will also halt production at 11 of its 12 plants in Japan for three days in April, reducing total operating time during that month to 17 days.

Derek, a young worker at Chrysler's Sterling Heights Assembly plant just north of Detroit, told the *World Socialist Web Site*, "We're working one week and are off two weeks because of slow sales. The union hasn't told us anything and we are all wondering how long this will go on."

"It's scary and it's happening to everybody who's got to work for a living. Right now I'm glad my wife is working steady and we've been able to make ends meet. But it's dicey. We are watching every penny. In another two years there won't be a middle class left in America."

The US Federal Reserve warned Wednesday that the economic situation was even worse than thought and predicted conditions would continue to deteriorate throughout 2009. The Fed estimated that the official

unemployment rate could climb as high as 8.8 percent this year, far higher than its initial estimate of 7.6 percent made last November.

Fed officials also predicted that the world's largest economy would contract between 0.5 and 1.3 percent this year, far worse than earlier forecasts.

Such a situation would mark the first full calendar year contraction since 1991 and the worst drop since the 1.9 percent fall in 1982, when the US was in the depths of a deep recession..

The Fed's updated economic outlook declared that "given the strength of the forces currently weighing on the economy," Fed officials "generally expected that the recovery would be unusually gradual and prolonged."

The central bank's projections followed the release of a Commerce Department report showing that new home construction and applications for future projects both fell to record lows last month. Construction of new homes and apartments plummeted 16.8 percent in January from the previous month, falling to a seasonally adjusted annual rate of 466,000 units, also a record low. Analysts had instead expected a pace of 530,000 housing units.

Building permits, a measure of future activity, also sank to a record low pace of 521,000 units in January, a 4.8 percent drop from the prior month. "Conditions in the market for new homes have not been this bad since the 1930s, and they continue to worsen," Patrick Newport, an economist at IHS Global Insight in Lexington, Massachusetts, told the Associated Press. He predicted that housing starts would remain depressed for months to come.

Builders have cut the number of new homes on the market for almost two years, Newport told the AP, but sales have fallen even more quickly. As a result, the Commerce Department said last month that it would take 12.9 months to sell all the new homes on the market, the longest on record.

Home foreclosures also continue to mount. Credit Suisse reported last month that 2 million homeowners faced foreclosure proceedings last year and that up to 10 million homes could face foreclosure in the coming years.

The Commerce Department said the Northeast was the

worst area of the country for housing starts, with a drop of 42.9 percent to a record low of 36,000 units at a seasonally adjusted annual rate. The Midwest was second with a 29.3 percent decline.

Layoffs continue to spread to every sector of the economy. In the past few weeks job-cutting in the technology sector has been particularly harsh, with substantial layoffs announced by Pioneer (10,000), Cisco (3,000), Panasonic (15,000), NEC (20,000), Electronic Arts (1,100) and AOL (700). The web site Tech Crunch reported that 300,000 workers in the technology sector have lost their jobs since it began tracking the number in August 2008.

States and public institutions, hard hit by falling revenues and federal budget cuts, are also cutting jobs.

After a five-day impasse the California state legislature approved a \$41 billion budget Thursday morning. Governor Arnold Schwarzenegger, who had initially crafted the budget in conjunction with state Democrats, is expected to sign the deal, which includes billions in spending cuts for schools, healthcare institutions and social programs and which will inevitably result in large job cuts.

The governor of Tennessee said that because of monies received from the federal stimulus package the state would reduce a number of planned layoffs, originally set at 2,300, but would still have to cut other jobs nonetheless.

In Pennsylvania, Governor Edward Rendell said that if the unions accepted \$80 million in concessions over the next two years the number of layoffs would stay below 1,000. If not, up to 3,000 workers would lose their jobs.

Governors in Maryland, Kentucky and other states have also indicated that layoffs are coming.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact